# IMFC Statement of Secretary Mnuchin

April 10, 2019

**Washington** – *U.S. Treasury Secretary Steven T. Mnuchin issued the following statement at the Spring Meetings of the International Monetary Fund and World Bank*:

I welcome the opportunity to discuss the state of the United States and global economy at the IMF and World Bank Spring Meetings. While growth in the United States remains robust, growth abroad has softened materially, with risks of a further slowdown if countries do not take action to reduce uncertainty and bolster confidence. Countries should also undertake stronger efforts to address underlying structural impediments and help raise medium-term growth. A well-functioning IMF can play a key role in supporting these efforts, promoting policies aimed at more balanced and durable global growth, and strengthening economic capacity and governance.

Strong underlying fundamentals helped power the U.S. economy to its best growth performance in over a decade in 2018, with real GDP expanding by 3 percent over the four quarters of last year. One year after the passage of tax reform, business investment has surged and productivity growth has begun to pick up. American families are enjoying key benefits afforded by lower tax rates. Labor markets have continued to strengthen, with the participation rates for all workers and prime-age employees rising, suggesting that tax reform has drawn workers back into the labor force in numbers that are more than offsetting downward pressure from demographics. The number of job openings exceeds the number of unemployed persons, and wage growth has accelerated to its fastest pace in 10 years.

Beyond the United States, global growth has slowed since we last met, and determined action is needed to return the global economy to strong, broad-based expansion. Disappointing economic data across most regions of the global economy raise questions about the extent and depth of current weaknesses. While this may prove to be a temporary soft patch, a more widespread downturn creates risks of a prolonged stagnation. Countries with weak economic activity or muted growth need to proactively deploy macroeconomic policies and pursue productivity-enhancing reforms in order to bolster both near-term and medium-term growth.

To that end, the United States continues in its efforts to address restrictive trade practices around the world that are impeding stronger and more balanced U.S. and global growth. To achieve a balanced and fair trading system, we must address the significant imbalances in global trade that stem in part from unfair trade policies and high trade barriers.

The United States-Mexico-Canada Agreement is an example of progress and cooperation across borders that will move us in the right direction as we look to rebalance North American trade. Working with Mexican and Canadian counterparts, we negotiated the strongest financial services provisions of any U.S. trade agreement and secured new commitments on currency issues, boosting transparency and accountability. This trade agreement is key to ensuring positive outcomes for businesses and workers across North America.

Continuing large global trade and current account imbalances also pose risks to the strength and stability of future global growth. While imbalances narrowed following the global financial crisis, they have been broadly unchanged at close to 2 percent of global GDP since 2013. Persistent imbalances are intensifying these risks across major economies. In order to support stronger and more sustainable global growth – particularly at a juncture where global activity is flagging – countries reliant upon large and persistent external surpluses to drive domestic growth should reorient their macroeconomic policies to boost domestic demand.

The current state of affairs reinforces the importance of IMF reforms to maintain its relevance and effectiveness. This will not be the first time the international community has looked closely at the IMF. Over the years, the IMF has undergone a series of transformations, responding to fundamental changes in the world economy and international monetary system, and it should continue to evolve to respond to the challenges ahead.

Of most immediate concern is ensuring the IMF has sufficient financial resources to respond to potential crises. In our view, the IMF currently has ample resources to achieve its mission, and countries also have considerable complementary resources should a crisis emerge. Thus, we do not see a need for a quota increase at this time and support closure of the 15th General Quota Review as soon as possible. At the same time, we recognize that the IMF’s borrowed resources, including the New Arrangements to Borrow (NAB) and bilateral borrowing arrangements, are set to expire in the next few years. We look forward to working closely with the IMF and other members to identify options for extending a portion of these borrowed resources so that the IMF can maintain adequate resources to deliver on its mission. We also look forward to agreeing on a reasonable timeframe for the 16th General Quota Review.

Just as members need to assure that the IMF maintains adequate resources, the IMF also needs to assure its members that it is delivering effectively on its core mission. A key aspect of that mission remains the promotion of debt transparency and sustainability, and here the IMF has a leading role to play. Debt owed to emerging creditors is at a critical juncture, with debt levels rising among both low income/emerging and advanced economies. Increasingly, opaque or unsustainable lending practices weaken investor confidence, erode governance and accountability, and create a drag on economic growth. We welcome continued progress on the IMF/World Bank multi-pronged work agenda on debt. While the broad contours of this agenda are now in place, the IMF's effectiveness will rest in the details. The IMF should continue to promote greater transparency of borrowing from all creditors in its programs, laying a benchmark for future programs to build upon. In its bilateral surveillance, the IMF must also proactively identify data gaps and promote disclosure of all current and potential public liabilities by member countries. Upcoming IMF policy reviews to update the debt sustainability analysis of market access countries, reexamine the data requirements for surveillance, and strengthen Special Data Dissemination Standards, will play a key role in reinforcing this objective of debt transparency and sustainability.

Other policy reviews will also provide invaluable opportunities for the IMF to improve its effectiveness. The ongoing review of program conditionality should result in reforms aimed at strengthening program design, with focused program conditions that prioritize broad-based growth and median real income. For example, in the case of Argentina, a focused set of conditions aimed at addressing weaknesses in monetary and fiscal policies helped to stabilize financial markets, putting the economy on track to return to growth. The review of conditionality should also address parsimony and criticality of conditions, and help solidify the need for close coordination with other international financial institutions. The IMF should leverage the upcoming review of its surveillance framework to better deliver on its core mandate, prioritizing such issues as resolving data gaps and transparency, enhancing surveillance of debt sustainability and external sector assessments, and addressing surveillance challenges in low income countries.

Central to any reforms to improve the IMF, and key to the IMF's future as an institution, is the IMF's continued ability to attract exceptional talent. We are pleased to see the Fund tackle the challenge of modernizing salaries and benefits head-on with a comprehensive compensation and benefits review, also known as the CCBR. As we look forward to the results of the CCBR later this year, we expect to see reforms that promote fiscal discipline, facilitate more career progression, streamline under-utilized benefits, and support the needs of today's working families. Just as we need to modernize and increase efficiencies of IMF staff, the IMF Executive Board should also leverage this review to examine ways in which it can streamline its own activities and Board costs, and demonstrate to its staff and the international community that IMF members are leading by example in an era of competing priorities and shrinking budgets.

We look forward to working with other members and the IMF to execute on these reforms in the coming year. Not only are these measures key to maintaining the Fund's effectiveness and relevance, they will also lay the foundation for long-term financial sustainability, position the Fund as a leader among financial institutions, and bolster its credentials as a public institution funded by IMF shareholders.

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